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CENTRAL INTELLIGENCE AGENCY
WASHINGTON, D.C. 20505

CIA/GER /S-6495-74

**MICRO
ONLY**

24 September 1974

MEMORANDUM FOR:

[Redacted]

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SUBJECT

: Impact of Japan's Dependence
on Overseas Resources and
Markets on Its Foreign/National
Security Policies

1. The attached memo is in response to your 10 September request to answer the following question posed by DOD/ISA: "Given the current and possible international economic dislocations, will Japan's massive dependence on overseas energy resources, raw materials and markets force dramatic changes in its foreign/national security policies?" In effect, our answer is no. Japan is rapidly adjusting to changing economic conditions without major foreign policy shifts. Although the Japanese will continue to seek resources and markets wherever they can, their close ties with the United States will remain firm.

2. If we can assist you with any of the other DOD questions, please let us know.

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Attachment:
As stated

Distribution: (S-6495)
Orig & 1 - Addressee
1 - D/GER

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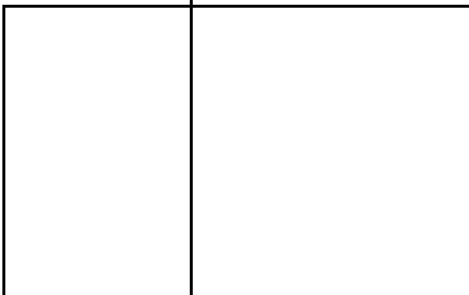
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IMPACT OF JAPAN'S DEPENDENCE ON OVERSEAS
RESOURCES AND MARKETS ON ITS
FOREIGN/NATIONAL SECURITY POLICIES

1. Tokyo sees no need for significant changes in its foreign or national security policies because of international economic dislocations. The Japanese have offset most of their higher oil import bill by exporting at an extraordinary pace -- faster than any industrial country. By sharply limiting overseas investment and lending and by borrowing large sums abroad, the Japanese have even managed to increase foreign exchange reserves somewhat this year. Foreign aid and investment are increasingly being concentrated in countries with substantial raw material resources to further Tokyo's policy of diversifying sources of supply.

2. Japan's close economic ties with the United States will remain firm. The Japanese will continue to rely on the United States for the bulk of their food imports; there simply are no other large, dependable sources of supply. The United States is also their largest market and they depend heavily on US financial resources. Because the two economies are so intertwined, some frictions always exist and new ones will inevitably develop. They are not likely, however, to cause insurmountable problems.

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